U-999/R-86-147 ORDER ADOPTING AND REPEALING RULES

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Don Storm Chair
Tom Burton Commissioner
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In the Matter of the Proposed New Rules Governing Practice and Procedure ISSUE DATE: June 11, 1992

DOCKET NO. U-999/R-86-147

FINDINGS OF FACT, CONCLUSIONS, AND ORDER ADOPTING AND REPEALING RULES

PROCEDURAL HISTORY

I. Proceedings to Date

The above-entitled matter came on for decision on the 27th day of May, 1992. After affording all interested persons the opportunity to present written and oral data, statements, and arguments to the Commission, in accordance with statutory requirements regarding the adoption of noncontroversial rules, after considering the Statement of Need and Reasonableness, after considering all of the evidence adduced upon the records, files and proceedings herein, the Commission, being fully advised in the premises, hereby adopts the following Findings of Fact, Conclusions, and Order:

FINDINGS AND CONCLUSIONS

II. Compliance with Formal Rulemaking Requirements

A notice of hearing, and a notice of intent to adopt the rules without hearing if no requests for hearing were received, were published in the <u>State Register</u> on February 10, 1992. Both notices were sent by mail to all persons on the list maintained by the Commission pursuant to Minn. Stat. §§ 14.14, subd. 1a and 14.22 (1992) on February 4, 1992.

The Statement of Need and Reasonableness was prepared prior to mailing and publication of the notices and was made available to the public. All persons were given the opportunity to submit comments on the rule for 30 days after notice of proposed rulemaking. The 30 day comment period, as set out in the notice, expired on March 11, 1992.

During the comment period the Commission received two requests for public hearing, both of which were subsequently withdrawn. Therefore, the Commission did not receive requests for a public hearing from 25 or more persons which were not withdrawn. No requests for notice of submission to the Attorney General were received by the Commission.

During the comment period the Commission received written comments from 10 persons. The Commission finds that modifications to the proposed rules are justified by the record in this proceeding, as set forth below.

III. Modifications to the Rules as Published

A. Limit Parties to One Request for Reconsideration

A commenting party argued that the proposed rules should limit parties to one request for reconsideration on the same issue. The Commission agrees. Second requests for reconsideration on the same issue undermine the finality of Commission decisions and misallocate resources.

Therefore, part 7829.3000 will be changed to include a new subpart, subpart 7, reading as follows:

A second petition for rehearing, amendment, vacation, reconsideration, or reargument of a commission decision or order by the same party or parties and upon the same grounds as a former petition which has been considered and denied, will not be entertained.

B. Expedite Consideration of Filings on Which a Contested Case is Requested

One commenting party suggested adding a provision to the section on miscellaneous tariff and price list filings to ensure that complex or controversial filings are promptly identified and put on track for adequate development. The Commission believes this would increase efficiency and will therefore add a subpart 7 to part 7829.1400, providing as follows:

Upon receipt of initial comments requesting a contested case proceeding on a miscellaneous tariff filing or price list filing, the Commission shall immediately set the matter for consideration on a date after the time period for reply comments has run. If the Commission finds a contested case proceeding is required, the matter shall be referred to the Office of Administrative Hearings pursuant to Rule 7829.1000, and the utility shall file its direct testimony in question and answer form within 20 days of the Commission's notice and order for hearing.

C. Eliminate Automatic Acceptance as to Form for Miscellaneous Tariff and Price List Filings

The rules as published provide that miscellaneous tariff and price list filings are deemed accepted as to form if not rejected within 20 days of filing. Part 7829.1300, subp. 5. Since initial comments on most of these filings are not due for 30 days, however, the Commission would not have the benefit of parties' comments when the filings were deemed approved as to form.

Since the Commission receives some 1,000 miscellaneous tariff and price list filings a year, it is unrealistic to believe staff will invariably spot filing defects within 20 days. Shortening the initial comment period is unrealistic, since in many cases even 30 days will be a tight time frame for the parties. Adding a comment period on form would be too cumbersome, adding another layer to a process the rules are designed to streamline. The Commission will therefore retain the flexibility to reject these filings for failure to comply with applicable filing requirements after initial comments are received. The Commission will delete the following language from part 7829.1300, subp. 5:

A miscellaneous tariff or price list filing not rejected within 20 days of filing must be considered accepted as to form.

D. Clarify Standing to File Formal Complaint

A commenting party pointed out that the language in the proposed rules on informal complaints might lead people who did not have an absolute right to a Commission hearing to believe that they did. Under the Public Utilities Act and the Telecommunications Act, private individuals generally cannot file a complaint and receive a hearing as of right. They must either produce signatures from a specified number of additional customers or convince the Commission to take up the complaint on its own motion. Minn. Stat. §§ 216B.17; 237.081 (1990). To avoid

confusion, the Commission will change the last sentence in part 7829.1600 to read as follows:

If the complainant desires formal action by the commission, a formal complaint must be (delete <u>filed</u>, and insert) <u>initiated by the commission</u>, or <u>filed by a qualified complainant</u>.

E. Clarify that Commission, Not Complainant, Serves Formal Complaint

A commenting party pointed out that the proposed rules could be confusing about when a utility is required to respond to a formal complaint. The rules talk about the complainant <u>serving</u> the complaint on the utility, but this is just courtesy service. The utility is not required to respond unless the Commission decides to require it. To avoid any confusion, the Commission will use the term <u>mailing</u>, rather than <u>service</u>, when requiring a complainant to provide a copy of the complaint to the utility. That change will appear in part 7829.1700, subp. 2, and in the heading of that subpart.

F. Eliminate "Show Cause" Language from Formal Complaint Provisions

A commenting party was concerned about the proposed language in part 7829.1700, subp. 2, requiring the respondent in a formal complaint proceeding to "grant the relief complainant requests or to show cause by answer why respondent should not be ordered to do so. . . ." The Company's concern was that the rule might somehow be read to compress to 20 days the 120-day period a utility is allowed to initiate a rate proceeding under Minn. Stat. § 216B.17, subd. 8 (1). To avoid confusion, the Commission will substitute the following language for that quoted above:

file an answer either stating that it has granted the relief the complainant requests, or responding to the allegations of the complaint.

G. Clarify that Service Area Complainant Need Only File What Is Believed to be Official Service Area Map

A commenting party was concerned about part 7829.2000, subpart 1's requirement that complaints alleging assigned service area violations include a copy of the official service area map. The party pointed out that often parties are not sure maps in their possession are identical to official service area maps on file with the Commission. This is true. The Commission will therefore change the language of part 7829.2000 to read as follows:

A complaint alleging violation of an electric utility's assigned service area must include a map which the complainant reasonably believes to be a copy of the official service area map of the area at issue, with the area of the alleged violation clearly marked.

H. Clarify that Filings May be Delivered in Person Without Permission from the Executive Secretary

The new rules provide that documents are considered filed upon receipt, not upon mailing or deposit with a private delivery service. The new rules try to accommodate special needs by allowing the Executive Secretary to permit fax filings when necessary and to permit filing to date from mailing when time constraints permit it. That portion of the proposed rules reads as follows:

Documents are filed with the commission when they are received in the commission offices during regular business hours. Specific documents may be filed by facsimile transmission or filed when mailed or delivered in person, if the executive secretary so directs.

Part 7829.0400, subp. 1.

A commenting party noted that documents delivered in person would be considered filed upon receipt and that no special permission would be necessary. The Commission agrees, and will change the subpart quoted above to eliminate the words "or delivered in person."

I. Clarify that Parties May Ask for Specific Filings to be Considered Filed upon Mailing or Facsimile Transmission

Two commenting parties suggested changing the language which permits facsimile filings and allows specific filings to be considered filed upon mailing "if the executive secretary so directs" to make it clear that parties may ask the Executive Secretary to take these steps. To avoid confusion, the Commission will change the language quoted above to "with the consent of the Executive Secretary." Part 7829.0400, subp. 1.

J. Broaden Intervention Standard

The rules as noticed would allow a person to intervene in a proceeding upon showing that

the person is specifically considered by statute to be interested in the particular type of matter at issue;

the person is specifically declared by statute to be an interested party; or the outcome of the proceeding will bind or affect the person with respect to an interest peculiar to that person, as distinguished from an interest common to the public or other ratepayers in general.

Part 7829.0800, subp. 2.

Two commenting parties argued that this standard was too stringent. The Commission agrees.

The Commission has traditionally taken an inclusive approach to intervention, granting petitions from groups representing senior citizens, environmentalists, low income persons, large business users, and others with special perspectives. The Commission has generally found that the specialized interests of these persons would not be adequately represented by other parties in the proceeding. The language in bold print will be added to codify existing practice:

the person is specifically considered by statute to be interested in the particular type of matter at issue; the person is specifically declared by statute to be an interested party; the outcome of the proceeding will bind or affect the person with respect to an interest peculiar to that person, as distinguished from an interest common to the public or other ratepayers in general, or the person's interests are not adequately represented by one or more other parties participating in the case.

K. Require Service on the Department of Public Service at the Same Time Documents are Filed with the Commission

The Department of Public Service asked that the service provisions of the proposed rules be changed to require that service on the Department means receipt. Under the rules, service is complete upon mailing, unless the Executive Secretary directs otherwise for a particular filing or a particular proceeding. Since the Department comments on every filing, it needs as much lead time as possible to manage its workload and produce quality comments in every case. The Commission will therefore add the language in bold print to part 7829.0400, subp. 5:

. . . . Service may be accomplished by first class mail or by delivery in person, unless otherwise provided by law or commission order. Service may also be accomplished by facsimile transmission, followed by first class mail. Service on the Department is complete upon receipt by the Department. For all

other persons, [s]ervice by mail or facsimile transmission plus mail is complete upon mailing, unless the Executive Secretary directs otherwise for specific documents. . . .

L. Clarify that Defective Service on General Service List Does Not Invalidate Commission Decision or Require Dismissal of the Filing

The new rules require utilities to serve copies of initial filings on general service lists made up of people who have requested copies of such filings. The purpose of this requirement is to provide the earliest possible notice to persons who may have an interest in a particular filing. The new rules already state that failing to serve the general service list does not affect Commission jurisdiction, part 7829.0600, subp. 4. Two commenting parties suggested adding language to make it even clearer that jurisdiction is unaffected, and that the Commission is not obligated to dismiss a filing for failure to comply with general service list requirements.

To eliminate any ambiguity, the Commission will add the language in bold print to part 7829.0600, subp.4.

. . . . The requirements of this part do not displace or add to legal notice requirements, and a utility's failure to comply with this part does not deprive the commission of jurisdiction over a matter of which it would otherwise have jurisdiction, require dismissal of a filing, or invalidate any determination made by the commission in such a matter.

M. Simplify Language on Answering Formal Complaints

The new rule, like the old one, provides that if a utility fails to answer a formal complaint, the Commission considers the allegations of the complaint denied. Part 7829.1800, subp. 4. The new rule uses the language "issue is joined." A commenting party pointed out that language adds nothing to the rule and is potentially confusing. The Commission will delete the phrase.

N. Move Two Subparts from 7829.1300 to 7829.1400

Two commenting parties thought the new rules did not require persons filing initial comments on miscellaneous tariff and price list filings to serve those comments on the utility. Part 7829.1300, subp. 6 does require service on the utility. The Commission believes the placement of that requirement is confusing, and will therefore move subparts 6 and 7 of part 7829.1300 to the next part, part 7829.1400, as subparts 1 and 2.

O. Clarify that Right to a Hearing Precedes Right to Contested Case Proceedings

One commenting party pointed out that the language of part 7829.1000 might be misread to create a right to a hearing whenever material facts were contested, even if the person requesting a hearing did not have an independent statutory right to a hearing. To remove any ambiguity, the Commission will add the language in bold print to the introductory clause of part 7829.1000:

If a proceeding involves contested material facts, and there is a right to a hearing under statute or rule, or the commission finds that all significant issues have not been resolved to its satisfaction, the commission shall refer the matter to the Office of Administrative Hearings for contested case proceedings, unless: . . .

P. Clarify that the "Oral Argument" Referred to in Part 7829.2600 Need not be Formal Legal Argument

The Commission finds that the use of the term "oral argument" in part 7829.2600 might be confusing to parties, who are accustomed to calling all but their most formal oral statements to the Commission "comments." The Commission will substitute "oral comments" for "oral argument" to avoid potential confusion.

IV. Finding of No Substantial Change

The Commission finds that none of the above changes constitute substantial changes because none of them will affect classes of persons who could not reasonably have been expected to comment on the proposed rules as originally noticed, none of them introduce significant new subject matter, and none of them are major substantive changes.

V. Proposed Changes Not Adopted

The Commission has considered and rejected the proposed changes set forth below.

A. Service of Assigned Service Area Complaints on the Residential Utilities Division of the Office of the Attorney General Still Required

One commenting party recommended eliminating the requirement to serve copies of assigned service area complaints on the Residential Utilities Division of the Office of the Attorney General (RUD-OAG). Part 7829.2000, subp. 2. The party pointed out that service area disputes often involve commercial or industrial customers, not residential customers, and assumed the RUD-OAG would not be interested in those complaints.

The gain or loss of a major commercial or industrial customer, and the amount of compensation paid for such an account, can have a profound impact on residential and small business rates. The Commission will therefore retain the requirement that all assigned service area complaints be served on the RUD-OAG.

B. Service of Every Filing on Every County and Municipality in Utility's Service Area Not Required

One party suggested changing the rules to require that all filings be served on the governing body of each county and municipality in the filing utility's service area. The rules require such service only in general rate cases. Part 7829.2400, subp. 3. The Commission finds expanding the requirement to every filing would be onerous and unnecessary.

There are 87 counties and 856 municipalities in Minnesota. The Commission receives over 1,000 filings a year. Under the party's proposal local governments would be flooded with filings in which they had little or no interest, and utilities would be burdened with massive mailings every time they transacted business with the Commission. Local governments are adequately protected by the rule provisions requiring that they be notified of general rate cases and allowing them to place themselves on the general service list for specific types of filings. The Commission therefore will not adopt the proposed change.

C. Saturdays, Sundays, and Legal Holidays Not Excluded from 10-Day Notice Period

Two parties recommended that the 10-day standard notice of Commission meetings, part 7829.2800, be changed to exclude Saturdays, Sundays, and legal holidays. Given the short time frames within which the Commission must act and the need for scheduling flexibility, a longer notice period is unworkable. The Commission will therefore not adopt the proposed change, but will continue trying to provide as much advance notice of Commission meetings as possible.

D. Variances Not Automatically Extended upon Application for Extension

The proposed rules provide that variances expire automatically in one year, unless the Commission orders otherwise. Part 7829.3200, subp. 3. One party suggested changing the language to

provide that variances remain in effect while applications to extend them are pending, to avoid disrupting the operation of variances that are extended.

The Commission believes the same result can be accomplished by filing for a variance extension well in advance or by filing a request for an interim extension when requesting a variance extension. These two approaches are more consistent than automatic extensions with the purposes of the new rule, which are explained in the Statement of Need and Reasonableness as follows:

It [the one year limit] reinforces the principle that variances should be the exception, not the rule, and ensures that no company will operate out of compliance with Commission rules inadvertently. . . . " The one-year limit will also help alert the Commission when its substantive rules should be changed. If variances to a particular rule are requested year after year, it will be clear that changing the rule should be considered.

The Commission therefore will not adopt the proposed change.

E. General Service List Requirement Retained

One commenter suggested deleting the requirement that utilities serve copies or summaries of their filings on a general service list made up of people who have requested notice of filings of particular types. Part 7829.0600. In the alternative, the party suggested deleting the requirement for filings relating to competitive services. The Commission finds that the broad, early notice of filings provided by the general service list requirement is the most practical and reasonable way to avoid the delays that occur when interested persons learn of a filing late in the process and attempt to participate. The Commission will therefore retain the requirement.

F. General Service List Requirement Not Scaled Down for Competitive Filings

One telephone company suggested scaling down the general service list requirement for competitive telephone filings to include only persons who intervened in the company's "last filing of the same type." The company particularly objected to including on the list its competitors and the intervenors in its last general rate case.

The Commission finds it would be premature to establish different general service list requirements for competitive and noncompetitive telephone filings at this time. The regulation of competitive telephone services is currently in transition. The legislation establishing streamlined regulation for such services will be automatically repealed on August 1, 1994. Until the Commission has firm policy guidance from the legislature on the treatment of competitive telephone services, the Commission believes it should apply to those filings the same general service list requirements that apply to all other filings.

If a company electing streamlined regulation thinks the intervenors in its last general rate case are no longer interested in its filings, it can ask them, either in a special mailing or in an annual mailing for that purpose. Part 7829.0600, subp. 2. This is not an onerous undertaking, and it allows the company to trim its service list without compromising the goal of providing early notice of filings to potentially interested persons. Similarly, there is no apparent harm in allowing competitors to place themselves on one another's general service lists, and it does promote the overall goal of effective early notice to potentially interested persons.

G. Attorney Identification Requirement Retained

One commenting party suggested eliminating the requirement that miscellaneous tariff and price list filings give the name, address, and telephone number of the attorney for the utility, if the utility is using an attorney. Part 7829.1300, subp. 4. The commenter thought the utility should be able to use a single contact person for each filing, with that person referring any legal questions to the attorney handling the filing.

The Commission will retain the attorney identification requirement. If a utility is not using an attorney for a particular filing, the requirement does not apply. If the utility is using an attorney, it is more efficient for the filing itself to identify him or her than for the filing to point to a general contact person who will do so. This is especially true in light of the tight time frames that apply to most filings.

H. Initial Comment Period for Competitive Filings Not Shortened

One commenter found it odd that the comment periods for some competitive telephone filings are as long as those for noncompetitive filings and suggested reducing them to further the goal of streamlined regulation. Part 7829.1400. The Commission finds this is not practicable, given the time constraints that apply to competitive filings.

The statutory time frames for competitive filings are so short it is impossible to have a meaningful comment period before they go into effect. For example, the effective date for language change

filings is one day; for new services, ten days; for price decreases, ten days; for changes in terms and conditions of service, ten days. The statute assumes, and these rules assume, that most competitive filings will take effect before the Commission acts on them. (It is also assumed that egregious problems requiring immediate Commission action will be spotted and dealt with.)

The comment process is still important, though, since the Commission can make any price increase refundable by acting within 60 days and can reject any other price change or change in terms or conditions of service upon finding the change unfair, unjust, or unreasonable. Minn. Stat. § 237.60 (1990). It is therefore important for the comment periods on these filings to be long enough to allow meaningful comment. The Commission will therefore retain the longer comment periods of the proposed rules.

I. "Contested Material Facts" Standard Retained for Referral to Contested Case Proceeding

Three commenting parties suggested the Commission retain the discretion to resolve for itself contested issues of material fact, instead of referring them to the Office of Administrative Hearings. The new rules provide that the Commission will refer such cases for contested case proceedings, with two exceptions:

1) if all parties waive their rights to contested case proceedings and the Commission finds less formal proceedings to be in the public interest, or 2) if a different procedural treatment is required by statute. Part 7829.1000. Three commenting parties suggest that this gives the Commission less flexibility than it now has. The Commission disagrees.

The Commission currently refers cases for contested case proceedings whenever it is convinced that there are material facts in dispute, except when expedited proceedings are authorized by statute. Minn. Stat. § 237.61 (1990). Since contested case proceedings are expensive and time-consuming, the Commission first attempts to narrow the issues and clarify the facts, to avoid ordering a contested case when material facts only appear to be in dispute. If one or more material facts really are in dispute, however, the Commission believes contested case proceedings are required.

J. Provision Allowing Department to Extend Certain Comment Periods as of Right Retained

The new rules provide that the Commission will extend the initial comment periods on miscellaneous tariff/price list filings and formal complaints for up to an additional 30 days at the request

of the Department. The rule excepts situations in which the comment period is set by statute or in which the Commission must act within 60 days to keep a proposed rate change from going into effect. Part 7829.1400, subp. 6; part 7829.1900, subp. 9. Several telephone companies opposed this provision, suggesting that the Commission substitute a provision allowing the Commission to extend comment periods at the request of any party. This provision was added because the Department is the only party that comments on every filing; it is therefore the party likely to need time extensions most often. Also, as the only party analyzing every filing, the Department is in a good position to recognize when standard comment periods will be inadequate. extensions are available to any party under parts 7829.1400, subp. 5, 7829.1900, subp. 8, and 7829.3100. The provision simply recognizes the special position and duties of the Department, for purposes of administrative convenience. The Commission will retain the provision.

K. Specific Notice Period Not Required When Department Extends Comment Period

One party suggested that the Commission require the Department to give a specified number of days' notice before it extends a comment period. The Commission believes the disadvantages of imposing a notice period outweigh the advantages.

It is true that allowing last minute extensions could occasionally give the Department the benefit of seeing other parties' comments. It could also sometimes result in other parties making sacrifices to meet comment deadlines, only to have them extended by the Department at the last minute. On the other hand, these problems will not arise often, since the Department is the only party to comment on most filings. When there are other parties, it is reasonable to assume they and the Department will talk about matters such as comment deadlines ahead of time. The Commission is therefore convinced the practical problems arising from lack of a notice requirement can be minimized.

On the other hand, setting a minimum notice period would almost certainly result in comment periods being extended more often. When in doubt about its ability to file comments on schedule, the Department would have to exercise its option to extend the comment period to meet the notice deadline. Without a notice deadline, Department would work up to the comment deadline, hoping to meet it.

The Commission concludes the most reasonable and efficient approach is not to impose a mandatory notice period on the Department.

L. Definition of "Miscellaneous Tariff Filing" Not Narrowed

Two commenting parties suggested narrowing the new rules' definition of "miscellaneous tariff filing" to refer to filings "commencing a required Commission proceeding." Part 7829.0100, subp. 11. This would leave the Commission without an orderly procedure for handling filings that do not necessarily require Commission proceedings, such as PGA filings. Although such filings do not necessarily require Commission action, they should be subject to established notice and comment procedures, to ensure that any issues the Commission should consider do not go unnoticed.

M. "Direct" Conflict Standard Retained

The new rules provide that they will control Commission practice and procedure except when a statute or rule on a specific topic contains procedural requirements in "direct conflict" with them. Part 7829.0200, subp. 2. Two commenting parties suggested eliminating the word "direct" to avoid ambiguity about how direct a conflict must be before the new rules are superseded. The Commission believes that the word "direct" makes it clear that these rules are not displaced by the mere existence of other rules imposing additional requirements; they are displaced only as to directly conflicting requirements. On balance, then, the Commission finds that the word "direct" serves a purpose and should be retained.

N. General Service Requirement Not Restricted to Filings "Within the Scope" of the New Rules

Two commenting parties suggested changing the language on the general service list requirement to limit the requirement to filings "within the scope of parts 7829.0100 through 7829.3200 [the new rules]." The Commission is uncertain that the proposed change would have any practical effect. Since all filings will be handled under the rules of practice and procedure, all filings should be "within the scope" of the new rules. The suggested change appears superfluous and confusing and will not be adopted.

O. Oral Argument Not Required Every Time Staff Makes a Recommendation

The new rules grant oral argument any time staff recommends action not advocated by any party. Part 7829.2600. Two commenting parties recommended allowing oral argument every time staff made any recommendation, on the theory that staff

recommendations may sometimes be based on rationales not put forward by the parties.

The Commission believes this change would unnecessarily complicate Commission deliberations. Commission staff is an institutional resource the Commission must be free to use without adding procedural steps to a case. In complex proceedings the Commission must be free to exchange ideas with staff, to illuminate the issues and different approaches to them, without creating delays in the deliberative process. The Commission will of course hold or reconvene oral argument if its discussions with staff reveal a need for further development of any issue by the parties.

VI. Commission Action

The Commission finds that the proposed rules of practice and procedure, Minn. Rules, parts 7829.0100 through 7829.3200, as modified above, are needed and reasonable. The Commission will adopt them, and will repeal the existing rules of practice and procedure and the existing rules governing procedures for acting on applications for certificates of need for large energy facilities. The Commission adopts and incorporates the Statement of Need and Reasonableness, as modified above, as the factual basis for the proposed rules.

ORDER

- 1. The Commission hereby adopts Minn. Rules, parts 7829.0100 through 7829.3200 governing practice and procedure, as proposed, except as modified herein.
- 2. The Commission hereby repeals the existing rules of practice and procedure, Minn. Rules, parts 7830.0100 through 7830.4400, and the existing rules governing procedures for acting on applications for certificates of need for large energy facilities, Minn. Rules, parts 7847.0010 through 7847.0320.

BY ORDER OF THE COMMISSION

Richard R. Lancaster Executive Secretary

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